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THE CHAIRMAN

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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

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Secretary 222
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AUG 16 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY
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Honorable George (Buddy) Darden
House of Representatives
2303 Rayburn House Office Building
Washington, DC 20515

92-263

Dear Congressman Darden:

Thank you for your letter expressing concern about how our regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 may affect small cable systems.

As you know, our rate regulations are currently under reconsideration. Accordingly, your comments are being made part of the record of that proceeding (MM Docket No. 92-266).

In addition, I wish to reiterate my own concerns about the regulatory impact of the 1992 Cable Act on small cable systems, especially those not affiliated with any MSO. I have directed the staff to explore a number of alternatives designed to alleviate the burdens that would otherwise be imposed on small systems to insure they remain a viable part of the telecommunications infrastructure. I assure you that the Commission is making every effort to minimize any negative repercussions for small operators resulting from re-regulation, within the bounds of the discretion provided to us by the Act itself.

As to your question regarding the customer service obligations of small cable systems, the specific issue of office locations is pending in our reconsideration of those rules and your comments will be made a part of that record as well (MM Docket No. 92-263). We can clarify, however, that there is no FCC requirement to maintain an office in each service area community. The relevant provision of our rules, 47 C.F.R. § 76.309(4)(c)(v), setting up a federal standard that local franchising authorities may exceed if they wish, requires only that a "customer service center" and "bill payment locations" be "conveniently located." A customer service center could be an equipment drop-off location open at least during normal business hours; a bill payment location could be a mail receptacle. A franchising authority may, however, in its discretion, require a cable operator to maintain an office in the service area community.

I assure you that your comments will be carefully weighed in our reconsideration proceedings.

Sincerely,

James H. Quello

James H. Quello
Chairman

GEORGE (BUDDY) DARDEN

7TH DISTRICT, GEORGIA

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The Honorable James Quello
Acting Chairman
Federal Communications Commn.
1919 M Street, N.W.
Room 808
Washington, D. C. 20554

Congress of the United States
House of Representatives
Washington, DC 20515-1007

July 20, 1993

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MMB
CATV-RATES
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2941

Dear Chairman Quello:

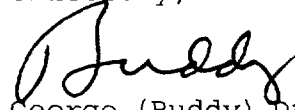
I am writing to you to express my great concern over the difficulties experienced by small cable operators seeking to comply with the Cable Act of 1992.

I voted for the Cable Act because I want to encourage competition in the cable industry. After speaking with many small cable operators from Georgia, I am convinced that unless the Federal Communications Commission takes more time in drafting regulations pursuant to this Act and ensures that small cable operators can comply with these regulations, the viability of many small cable systems will be threatened. If small cable businesses are forced out of business, competition in the cable industry will only decrease, a result directly at odds with the goals of the 1992 Cable Act.

Small, single-system cable operators, many of which serve extremely small customer bases in sparsely populated rural areas, are unable to benefit from economies of scale and are penalized by benchmarks that do not consider density or buying power factors. I urge you to take the time necessary to develop and implement Cable Act regulations that will be sufficiently flexible to accommodate the special needs of these small cable systems, many of which are set forth in the accompanying letter.

Thank you very much for your consideration of my views.

Sincerely,



George (Buddy) Darden
Member of Congress

GWD:cte

July 13, 1993

Delivered by Hand

The Honorable James H. Quello
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

Re: MM Docket No. 92-266
MM Docket No. 92-263

Dear Chairman Quello:

Following up your statements regarding the plight of small cable operators in complying with the 1992 Cable Act ("the Act"), we write to urge the Commission to take actions to alleviate unnecessary burdens on these operators. We believe, based upon extensive consultations with our members, that failing to act will seriously impede the ability of small cable systems to provide quality service to subscribers.

The Commission recognizes that Section 623(i) of the Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." Moreover, the public interest standard authorizes exceptions to the general rule where justified. We applaud your public commitment to work to alleviate small system burdens. We urge the Commission:

- To permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total system revenues to operating expenses, depreciation and interest expenses for some specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the benchmark approach.
- To permit small operators to increase rates to the benchmark cap. The Commission has found that rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, these systems will retain the flexibility needed to generate necessary capital.
- To authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the benchmark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

The Honorable James H. Quello
July 13, 1993
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- To allow small operators to pass-through rebuild costs. Small operators are generally located in rural areas. Congress and the Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.
- To clarify that the customer service requirements that do not require small operators maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits would be clearly outweighed by the costs.
- To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which, when applied to small operators, are presumptively more harmful than beneficial. It should also discuss alternatives to benchmark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

We believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protections.

We have filed a copy of this letter with the Secretary for inclusion in the appropriate dockets.

David D. Kinley

David D. Kinley
Small Cable Business Association

Stephen R. Effros

Stephen R. Effros
Community Antenna Television Association

Sincerely,

Michael J. Pohl
Michael J. Pohl for
Coalition of Small System
Operators

Decker Anstrom
Decker Anstrom
National Cable Television
Association

cc: The Honorable Andrew C. Barrett
The Honorable Ervin S. Duggan